

Message Text

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PAGE 01 BUDAPE 04039 01 OF 02 160947Z

12

ACTION EUR-12

INFO OCT-01 IO-10 ISO-00 SP-02 AID-05 EB-07 NSC-05 CIEP-02

TRSE-00 SS-15 STR-04 OMB-01 CEA-01 CIAE-00 COME-00

FRB-01 INR-07 NSAE-00 USIA-15 XMB-04 OPIC-06 LAB-04

SIL-01 DODE-00 PM-04 H-02 L-03 PA-02 PRS-01 AGR-10

SAJ-01 /126 W

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R 160800Z DEC 75

FM AMEMBASSY BUDAPEST

TO SECSTATE WASHDC 4877

INFO AMEMBASSY BUCHAREST

AMEMBASSY MOSCOW

USMISSION NATO

AMCONSUL MUNICH

AMEMBASSY PRAGUE

AMEMBASSY SOFIA

AMEMBASSY VIENNA

AMEMBASSY WARSAW

USDEL MTN GENEVA BY POUCH

UNCLAS SECTION 1 OF 2 BUDAPEST 4039

MUNICH FOR RFE

E.O. 11652: N/A

TAGS: EALR, ECON, ETRD

SUBJECT: CENTRAL COMMITTEE APPROVES HUNGARIAN 5-YEAR PLAN
GUIDELINES

REF: A: BUDAPEST 3137

B: BUDAPEST 3148

C: BUDAPEST 3194

D: BUDAPEST 3464

E: BUDAPEST 3599

F: BUDAPEST 3764

UNCLASSIFIED

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PAGE 02 BUDAPE 04039 01 OF 02 160947Z

G: BUDAPEST 3855

H: BUDAPEST 3936

I: FBIS 282310Z NOV 75

1. SUMMARY: THE CENTRAL COMMITTEE OF THE HUNGARIAN SOCIALIST WORKERS PARTY DISCUSSED RESULTS OF FOURTH FIVE-YEAR PLAN AND APPROVED GUIDELINES FOR 1976-80 PERIOD AT NOVEMBER 26-27 MEETING. PARLIMENTARY SESSION IS SCHEDULED FOR DECEMBER 18 (REF E) TO APPROVE GOVERNMENT'S PROPOSALS. THERE ARE NO SURPRISES; AS NOTED IN REFS A-H, GROWTH IN INVESTMENTS AND PERSONAL INCOME IN NEXT FIVE YEARS WILL DECLINE. HUNGARY WILL CONTINUE TO RELY HEAVILY ON FOREIGN TRADE, ESPECIALLY WITH WEST, AND PRICES WILL BE BROUGHT MORE INTO LINE WITH THOSE PREVAILING IN WORLD MARKETS. THE NEXT FIVE YEARS WILL BE DIFFICULT, AND AS IN THE PERIOD JUST ENDING PROGRESS WILL HAVE TO COME FROM PRODUCTIVITY INCREASES. END SUMMARY.

2. THE CENTRAL COMMITTEE COMMUNIQUE AND SOME ACCOMPANYING PRESS ARTICLES GIVE OVERALL GOALS FOR 1976-80 PERIOD:

PERCENTAGE INCREASE
(UNLESS OTHERWISE NOTED)

	1971-1975	1976-1980	
	PLAN	RESULT	PLAN
NATIONAL INCOME	30-32	35	30-32
INDUSTRIAL PRODUCTION	32-34	37-38	33-35
AGRICULTURAL PRODUCTION	15-16	18-19	16-18
REAL INCOME (INCLUDING			
NON-WAGE FACTORS)	25-27	26	18-20
REAL WAGES	16-18	18	14-16
TRANSPORTATION	22	39	35
CONSTRUCTION	41-43	?	30-33
INVESTMENTS	?	40	25-26
INVESTMENTS (BILLIONS			
OF FORINTS)	480-550	688 &	850-870
NUMBER OF HOUSING UNITS	400,000	430,000	420,000

(&) EMBASSY CALCULATION

3. (A) THE COMMUNIQUE NOTED THAT FOLLOWING MAJOR INVEST-
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PAGE 03 BUDAPE 04039 01 OF 02 160947Z

MENTS HAD STARTED-UP DURING THE FOURTH FIVE-YEAR PLAN:
THE GAGARIN THERMAL POWER PLANT, THE FINE ROLLING MILL
OF THE LENIN METALLURGICAL PLANT, THE CONTINUOUS STEEL
SMELTING PLANT OF THE DANUBE IRON WORKS, THE ROLLING MILL
OF THE LIGHT METAL WORKS AT SZEKESFEHERVAR, THE RUNNING
GEAR AND MOTOR MANUFACTURING PLANT IN GYOR, THE FRIENDSHIP
II OIL-PIPELINE, THE NITROGEN WORKS AND NEW FERTILIZER
FACTORY IN PAT, THE POLYETHYLENE FACTORY IN LENINVAROS,

THE CEMENT FACTORY IN DEREMEND, THE PLATE GLASS FACTORY
IN OROSHAZA, THE TISSUE PAPER FACTORY IN LABATLAN, THE
SYNTHETIC LEATHER FACTORY IN GYOR, THE BORSOD BEER AND
MALT FACTORY, AND THE EAST-WEST BUDAPEST SUBWAY LINE.

(B) MAJOR PROGRAMS DURING THE 1976-80 PERIOD WILL
INCLUDE EXPANSION OF ALUMINUM AND PETROCHEMICAL INDUSTRIES,
DEVELOPMENT OF COMPUTER EQUIPMENT PRODUCTION AND NATURAL
GAS, INCREASED DEVELOPMENT OF VEHICLE MANUFACTURING
INDUSTRY, AND INCREASED USE OF LIGHT-STRUCTURE
CONSTRUCTION METHOD (BASED ON HUNGARIAN-DEVELOPED
LIGHTWEIGHT BUILDING MATERIAL).

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PAGE 01 BUDAPE 04039 02 OF 02 160940Z

12

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UNCLAS SECTION 2 OF 2 BUDAPEST 4039

4. (A) IN GENERAL RESULTS OF THE SOUTH FIVE-YEAR PLAN WERE EXCELLENT, DUE ALMOST ENTIRELY TO INCREASED PRODUCTIVITY. WEAKNESSES MENTIONED INCLUDE: (1) UNFAVORABLE FOREIGN TRADE SITUATION, RESULTING PRIMARILY FROM DECLINE IN TERMS OF TRADE; (2) CERTAIN INBALANCES IN INDUSTRIAL PRODUCTION STRUCTURE, SUCH AS BOTTLENECK IN SEMELING INDUSTRY, ALUMINUM PRODUCTION, LIGHT INDUSTRY AND FOOD PRODUCTS; (3) CONTINUED PRODUCTION OF SOME PRODUCTS ON A VERY COSTLY BASIS; (4) CONTINUED PRODUCTION OF PRODUCTS NOT MARKETABLE IN THE WEST; (5) LOW INVESTMENT EFFICIENCY AND LACK OF COOPERATION BETWEEN INVESTMENT PLANNERS AND EXECUTORS.

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PAGE 02 BUDAPE 04039 02 OF 02 160940Z

(B) RATE OF MODERNIZATION HAS BEEN ABOVE AVERAGE IN CHEMICAL AND CAPITAL EQUIPMENT INDUSTRIES BUT IS STILL BELOW PLAN IN THE CONSTRUCTION SECTOR, WHERE ACTUAL RESULTS FOR 1971-75 WERE NOT ANNOUNCED (EXCEPT HOUSING).

(C) IN AGRICULTURE HUNGARY ATTAINED SIGNIFICANT RESULTS IN CEREAL PRODUCTION (UP 20 PERCENT) AND PORK; SUGAR BEET PRODUCTION AND PROCESSING WAS ESPECIALLY DISAPPOINTING. DURING THE NEXT FIVE YEARS DAIRY CATTLE, VEGETABLES, FRUITS AND SUGAR WILL BE EMPHASIZED.

(D) THE CONSUMER CAN EXPECT A SLOWDOWN IN REAL INCOME (INCLUDING SOCIAL SERVICES) FROM ABOUT 4.7 PERCENT ANNUALLY TO A MAXIMUM OF 3.5 PERCENT. WAGE INCREASES WILL BE LESS (AT THE MOST 2.9 PERCENT PER YEAR) AND SHOULD INCREASE MORE IN LINE WITH EACH INDIVIDUAL WORKER'S PRODUCTIVITY (REFS A AND B).

5. FOREIGN TRADE DATA IN COMMUNIQUE DOES NOT TALLY PRECISELY WITH STATISTICS CALCULATED IN CONSTANT PRICES BY DEPUTY MINISTER OF FOREIGN TRADE KOVACS (REF E), BUT THE CONCLUSION -- THAT OVERALL TRADE WILL INCREASE 45-48 PERCENT -- IS CONSISTENT. TRADE WITH THE SOCIALIST COUNTRIES IS PLANNED TO RISE 40 PERCENT; THUS COMMERCE WITH THE NON-SOCIALIST WORLD WILL HAVE TO INCREASE EVEN FASTER. IN AN ARTICLE COMMENTING ON THE COMMUNIQUE SENIOR PLANNING OFFICIAL AKOS BALASSA REAFFIRMED KOVACS' CONCLUSION THAT EXPORTS TO THE WEST WILL HAVE TO INCREASE BY 60 PERCENT DURING THE PLAN PERIOD.

6. COMMUNIQUE TOOK NOTE OF CEMA PRODUCTION SPECIALIZATION AND JOINT UNDERTAKINGS TO TAKE ADVANTAGE OF EFFICIENCIES OF SCALE. ORENBURG PIPELINE AND 750-KILOVOLT ELECTRIC GRID PROJECT WITH THE SOVIET UNION WERE MENTIONED.

7. PLANS AND PROBLEMS FOR 1976 DOVETAIL WITH FIVE-YEAR EXPECTATIONS. REAL INCOME SHOULD INCREASE 3 PERCENT, WAGES 1.5 PERCENT, AND NATIONAL INCOME 5-5.5 PERCENT. THREE MAJOR INVESTMENT PROJECTS ARE TO BE INITIATED: THE DANUBE PLANT'S STEEL CONVERTER, ADDITION OF A NEW UNIT TO THE TISZA CHEMICAL COMPLEX, AND CONSTRUCTION UNCLASSIFIED

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PAGE 03 BUDAPE 04039 02 OF 02 160940Z

OF ZALAGERSZED COLD STORAGE PLANT.

8. COMMENT: MAIN FEATURES OF THE PLAN HAVE BEEN PREVIOUSLY ANNOUNCED AND REPORTED: SLOWER GROWTH IN PERSONAL INCOME AND INVESTMENTS, CONTINUED EFFORTS TO IMPROVE INDUSTRIAL AND AGRICULTURAL EFFICIENCY, CENTRAL CONTROL OF MAJOR INDUSTRIAL PROJECTS AND INCREASED ATTEMPTS AT ENERGY CONSERVATION. ADDITIONAL COMMENTS IN REFTELS AND IN SUBSEQUENT MESSAGES. COPIES OF PLAN IN ENGLISH WILL BE POUCHED TO THE DEPARTMENT AS SOON AS THEY ARE AVAILABLE. THE PLAN LAW, WHICH PARLIAMENT WILL APPROVE, WILL APPEAR IN HUNGARIAN IN DECEMBER 21 ISSUE OF NEPSZABADSAG. MUDD

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